

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554**

In the Matter of)	
)	
2001 Biennial Regulatory Review--)	CC Docket No. 00-199
Comprehensive Review of the)	
Accounting Requirements and)	
ARMIS Reporting Requirements for)	
Incumbent Local Exchange Carriers:)	
Phase 2 and 3)	

COMMENTS OF BELL SOUTH CORPORATION

BellSouth Corporation, for itself and its wholly owned subsidiaries (collectively “BellSouth”) submits the following comments in response to the *Public Notice* issued in the above-captioned proceeding.¹

I. Introduction

On October 18, 2000, the Commission released a Notice of Proposed Rulemaking in CC Docket No. 00-199,² seeking comment on changes to the Part 32 Uniform System of Accounts. A review of the accounts and the comments filed in response to that *Notice* has led the Commission to focus on streamlining its Class A and Class B accounts. The Commission’s recent *Public Notice* includes proposed revised lists of those accounts and invites comment on additions, consolidation, or elimination of accounts on the proposed lists. For reasons set forth below, BellSouth urges the Commission not to adopt the proposed account changes.

¹ *Commission Seeks Further Comment in Phase 2 of the Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers*, CC Docket No. 00-199, *Public Notice*, DA 01-1402, rel. June 8, 2001.

² *2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3*, CC Docket No. 00-199, *Notice of Proposed Rulemaking*, 15 FCC Rcd 20568 (2000).

II. The Changes Proposed in the Public Notice are Not Consistent With the Scope or Objectives of the Biennial Review Process.

This proceeding was initiated to comply with the requirements of Section 11 of the Telecommunications Act of 1996 (“the 1996 Act”). Under Section 11, the Commission is under a statutory mandate to (1) review all regulations issued under the 1934 Telecommunications Act, as amended by the 1996 Act; (2) determine if any such regulation is no longer necessary in the public interest as the result of meaningful competition; and (3) modify or repeal any regulation the Commission determines is no longer in the public interest.³ As explained below, the revisions suggested by the Commission in this *Public Notice* would not represent a meaningful step toward carrying out this mandate, and, in fact, would have the effect of increasing the regulatory and financial burden on the ILECs.

While the revised Class A account list reflects a net reduction in the total number of accounts, some new accounts are proposed and some existing accounts are subdivided. The added burden created by these additions and breakdowns will far outweigh any positive effects of the elimination of other accounts. For example, the addition of the Interconnection Expense Account (6551) will be burdensome to implement and will require new cost studies. BellSouth estimates the cost of performing studies to determine the embedded cost of UNE-Interconnection to be approximately \$1.7 million. These costs would be recurring and do not include the one-time costs associated with developing a new study process. Further, it is estimated that the breakdown of the Switching investment and expense accounts (2212/2213 and 6212/6213, respectively) between Circuit and Packet will cost BellSouth between \$1.0 and \$1.2 million to implement. And lastly, the cost of implementing the Interconnection and USF Support Revenue Accounts (5086 and 5090, respectively) is estimated to be between \$1.0 and \$1.5 million.

³ See 47 U.S.C. § 161.

Therefore, at a minimum, BellSouth's costs to implement these new accounts and account breakdowns will be \$3.7 million and most likely will be much greater.

The effect of the proposed revisions is to impose additional regulations, rather than to eliminate them. A biennial review is not the proper proceeding in which to create new regulations. The proposed changes would more properly be considered in a rulemaking proceeding. Indeed, new Part 32 accounts and record-keeping requirements related to interconnection are the subject of a pending rulemaking proceeding in CC Docket No. 97-212.⁴ The Commission should not now consider the addition of these accounts as a part of this biennial review proceeding. Such effort is duplicative of, and potentially inconsistent with, its activity in the pending rulemaking proceeding, and is outside the scope of a biennial review.

The Commission must look at its efforts in this biennial review within the total framework of accounting regulations, and should avoid taking action that would be inconsistent with previous Commission decisions⁵ or that could potentially be inconsistent with the outcome of ongoing proceedings. If the Commission wishes to simplify the accounting regulations applicable to the ILECs, it should consider proposals put forth in this proceeding by BellSouth and others to allow the ILECs to adopt a Class B account structure, with the ultimate goal of

⁴ See *In the Matter of Amendments to Uniform System of Accounts for Interconnection*, CC Docket No. 97-212, *Notice of Proposed Rulemaking*, 12 FCC Rcd 16577 (1997).

⁵ For example, the Commission's recent Separations Freeze Order requires separations factors and categories to be frozen for a 5-year interim period using year 2000 separations results and the Part 32 account structure. See *In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, *Report and Order*, FCC 01-162 (rel. May 22, 2001). Modification of certain accounts as contemplated in the *Public Notice* will require significant changes and implementation costs to separations-related systems and processes.

moving to generally accepted accounting principles (“GAAP”) for regulatory accounting and reporting purposes.⁶ Such a course would better accomplish the objectives of Section 11.

BellSouth is a member of the United States Telecom Association (“USTA”) and has worked with USTA and its member companies to analyze accounting regulation in light of the mandate Congress provided the Commission under Section 11 of the 1996 Act. With regard to the account changes that are proposed in this *Public Notice*, BellSouth agrees with the positions set forth by USTA in its comments.

III. Conclusion

BellSouth supports the Commission’s stated goal of updating its accounting system based on changes in the marketplace and in technology.⁷ The streamlining of its Class A and Class B accounts would appear to be a logical step toward that goal. However, the effects of the revisions proposed in this *Public Notice* would not achieve the “streamlining” that is proposed,

⁶ See Comments of BellSouth filed Dec. 21, 2000 at 4; Reply Comments of BellSouth filed Jan. 30, 2001 at 4-6.

⁷ *Public Notice* at 1.

and would, in fact, have the opposite effect. Therefore, BellSouth urges the Commission not to adopt these proposed modifications.

Respectfully submitted,

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Date: July 16, 2001

CERTIFICATE OF SERVICE

I do hereby certify that I have this 16th day of July 2001 served the following parties to this action with a copy of the foregoing **COMMENTS OF BELL SOUTH CORPORATION** by electronic filing and/or by placing a copy of same in the United States Mail, addressed to the parties listed on the attached service list.

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